



# EU-Japan

## Free Trade Agreement

## A new EU trade agreement with Japan

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- The EU and Japan have finalised the negotiations on a new trade agreement. It is ambitious, balanced and progressive, promoting our interests and values.
- It will enable European companies to tap Japan's large market.
- It will help cement Europe's leadership in setting global trade rules.
- It provides strong guarantees for protecting EU standards and values.
- And it will send a powerful signal that cooperation, not protectionism, is the way to tackle global challenges.

European Commission, 8 December 2017



## 1. Cooperation and leadership – the strategic case for a deal

The EU-Japan trade agreement will not only boost the EU's economy. It will also strengthen Europe's leadership in shaping global rules according to our values.

Like us in Europe, the Japanese believe that the challenges our societies are facing today cannot be solved by protectionism or by turning our back on the world.

We need to work with reliable partners because we need more cooperation, not less, both in Europe, and globally.

### Facing global challenges together

Japan is one of the EU's closest partners. We have a long history of working together and we share similar ideas about the rules needed to protect our societies.

We also agree on the need to deal with global challenges such as:

- protecting the environment
- tackling climate change
- securing access to energy supplies
- ensuring regional stability

And we agree that, given these challenges and the current international environment, it is time to deepen our relationship and create a strategic partnership.

### **Democratic scrutiny and transparency**

EU Member States and the European Parliament are fully involved in all trade negotiations. In fact, it is the EU governments that instruct the Commission to negotiate such trade agreements, and give precise negotiating 'directives' as to what the any future agreement should look like.

Also, the European Parliament and EU Member States need to agree all EU trade agreements before they can enter into force.

They are also involved throughout the negotiations and have access to all negotiating texts. That has been the case in the EU-Japan talks, too.

Since 2016 alone on the EU –Japan talks there were:

- more than 40 meetings with EU governments
- 13 meetings with Members of the European Parliament (MEPs).

There is a wealth of information on this agreement available to the public. The Commission has:

- published negotiating texts it gave to Japan after the adoption of the Trade for All strategy
- made available detailed reports of each negotiating round
- organised a series of public meetings., the latest one chaired by Commissioner Malmström on 29 May 2017.

Commissioner Malmström urged the Member States to publish the EU-Japan negotiating directives ([so called mandate](#))

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## Taking a stand against protectionism

This new deal will send a powerful signal to the rest of the world that two large economies are resisting protectionism and that openness to trade remains one of the best tools to shape globalisation.

This can lead to more growth, and more growth can mean more jobs.

The EU's other recent trade agreements, e.g. with South Korea and Canada, send the same message.

## Working with a like-minded partner

### **Let's take a look at Japan. It:**

- is an established democracy
- has very high product standards
- cares about environment and has some of the highest labour standards in the world
- has exemplary consumer protection.



*From the right: President Juncker, Prime minister Abe and President Tusk*

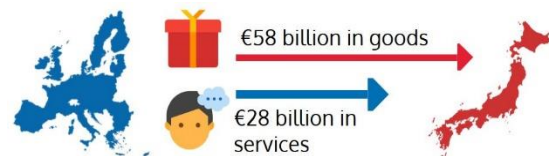
The Japanese people and their government care about the environment and are one of the strongest supporters of the Paris climate deal. They are also committed to open and sustainable trade - trade that serves people's well-being.

Japan is:

- the EU's second biggest trading partner in Asia after China
- the EU's sixth most important trading partner worldwide
- the fourth richest economy in the world (by GDP)...
- ...with a population of 127 million.

And Japan and the EU together account for more than a third of the world economy.

## An already close trading relationship



The EU and Japan already have close trade ties:

- The EU exports over €80bn of goods and services to Japan every year
- More than 600,000 jobs in the EU are tied to exports to Japan
- Japanese companies in the EU employ more than half a million people.

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## 2. The economic case for a deal

A trade pact with Japan will be good news for the economy in Europe, for several reasons.

### Real economic benefits

This trade deal will create new opportunities for exporting European goods and services.

The EU-Japan trade agreement is expected to bring concrete benefits to European exporters and consumers alike:

- The deal will remove almost all custom duties which sum up to EUR 1bn annually.
- EU exports to Japan of processed food could rise by up to 180%
- EU exports to Japan of chemicals could rise by over 20%.

### New opportunities for EU exporters

Japan is a particularly good market for the kind of high quality, high tech products and services that Europe is good at supplying.

### *Opening up the Japanese market*

An ambitious trade deal could provide opportunities for the EU in particular in sectors like:

- pharmaceuticals
- medical devices
- agri-food
- motor vehicles
- transport equipment

### *Promoting distinctive European regional food and drink products*

The EU is a major producer of distinctive regional food and drink products such as Parmesan cheese and Irish whiskey.

These products enjoy a special status known as a 'Geographical Indication', which lets consumers know that they come from a particular location which gives them a special quality or reputation. It also allows European producers to earn a premium for the quality of their produce.



The EU wants Japan to recognise 205 European Geographical Indications so that only products with this status will be allowed to be sold in Japan under the corresponding name.

### *Reducing unnecessary barriers to trade*

The EU agreement with Japan will also focus on solving non-tariff measures, as some Japanese technical requirements often make it more difficult to export safe European products.

This agreement will go a long way in ensuring that such rules are more transparent and fair for our exporters. The best way to secure such a level playing field is by ensuring that



requirements are in line with international standards.

Helping smaller EU businesses

In parallel, we want to focus on helping small and medium-sized enterprises (SMEs) who are disproportionately affected even by smaller barriers. That's why we want to have a dedicated chapter for them in the agreement.

**3. Safeguarding our essential interests**

The deal with Japan builds on recent public debates on trade agreements and takes into account the points raised by the European Parliament, EU governments and EU civil society in the context of those debates.

In our negotiations with Japan we have fully protected our interests. For instance, the FTA with Japan will:

- Protect our **sensitive economic sectors** with adequate transition periods before markets are opened.
  
- Maintain our right to keep **public services** public. Europeans will continue to decide for themselves how they want, for example, their healthcare, education and water delivered.
  
- Uphold the **precautionary principle** in the EU through an explicit reference in the Trade and Sustainable Development Chapter of the agreement.
  
- Safeguard the right to apply our own **standards** to all goods and services sold

in Europe. So, for example, any food, clothing, or cars coming from Japan to the EU must respect all EU rules— rules which will continue to be made by our lawmakers. There are clear assurances in this regard in many places in the agreement, including the preamble and the regulatory cooperation chapter.

- Allow us to set higher standards for **product or food safety**, and higher levels of protection for labour or the environment, if we want. The deal explicitly protects the EU's "right to regulate" in these and other areas. Trade and sustainable development chapters include those safeguards.

<b>EU-Japan deal comes with guarantees</b>	
	<i>Sensitive economic sectors protected</i>
	<i>EU public services protected</i>
	<i>The precautionary principle upheld</i>
	<i>EU's right to regulate safeguarded</i>

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✓	<i>Ability to set stronger standards, such as for the environment and food safety</i> <i>guaranteed</i>
✓	<i>No lowering of environment or labour protections to attract trade</i> <i>Upheld</i>
✓	<i>Clear commitment to fight climate change and implement the Paris agreement</i> <i>included</i>

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## Investment

Investment is part of the Commission's negotiating mandate: EU governments want the Commission to improve the access of EU investors to the Japanese market and negotiate rules to promote and protect EU investors.

Negotiations continue on investment protection standards and investment protection dispute resolution. The firm commitment on both sides is to reach convergence in the investment protection negotiations as soon as possible, in light of their shared commitment to a stable and secure investment environment in Europe and Japan.

Following the recent public debate, the Juncker Commission has fundamentally reformed the existing system for settling investment-related disputes.

A new system – called the Investment Court System, with judges appointed by the two parties to the FTA and public oversight – is the EU's agreed approach that it is pursuing from now on in its trade agreements. This is also the case with Japan.

Anything less ambitious, including coming back to the old Investor-to-State Dispute Settlement, is not acceptable. For the EU ISDS is dead.

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## 4. Protecting and promoting EU standards and values

The EU-Japan trade agreement is a progressive trade agreement with some of the strongest **commitments to environmental protection, labour and sustainable development** ever contained in a trade deal. It contains all the relevant protections included in CETA, and goes beyond them in some areas.

The deal is the first and only international trade agreement to include a clear commitment to fight **climate change** and support implementation of the Paris agreement. It includes a specific article on climate in the Trade and Sustainable Development chapter.

The EU has persuaded Japan to take a clear commitment to pursue the ratification of the fundamental **International Labour Organisation's Conventions** which it has yet to ratify.

Furthermore, in the agreement with Japan, both parties:

- Agree to promote the sustainable use of natural resources. The EU-Japan Trade and Sustainable Development chapter includes a specific article on forests and timber trade, including on combatting **illegal logging**.
- Agree not to undercut or fail to implement environment or labour protections to attract trade or investment - **preventing the risk of a "race to the bottom"**.

- Commit to a **robust, inclusive and transparent mechanism to settle trade-related disputes** on labour or the environment – involving governments, external experts, civil society and other independent bodies such as the ILO.
- Agree to promote initiatives such as **corporate social responsibility, eco-labelling, fair trade, recycling, and the use and promotion of environmentally friendly goods and services**.

**EU trade deals work**



Five years ago, the trade agreement between EU and South Korea was put in place. Since then EU exports to South Korea have **increased by 55%** and European companies have **saved €2.8 billion** in scrapped or discounted customs duties.

On the EU side, some companies worried about imports of Korean cars to Europe. In fact, EU car exports to South Korea **increased by 206%**, while imports from Korea increased by 53%.

And, where we differ, the EU made its views very clear. For instance, **the EU has a strict ban on trade in whales which will not in any way be affected by the trade agreement**.

The banner features a red semi-circle on the left containing the text 'EU-Japan Free Trade Agreement'. To the right, the European Union flag is partially visible, showing blue fabric with yellow stars.

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The EU will continue to address the whaling issue in bilateral relations and the international fora that are best suited to deal with this issue - for example, at the International Whaling Commission.

But in our trade deal, the sustainable development chapter will provide for an additional platform to discuss environmental issues and include civil society in these talks.



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## EU - Japan Trade agreement in numbers:

The value of EU exports of goods to Japan	<b>€58 billion</b>
The value of EU exports of services to Japan	<b>€28 billion</b>
Number of jobs tied to the EU exports to Japan	<b>600,000</b>
Number of people employed by Japanese companies in the EU	<b>550,000</b>
Value of tariffs paid by EU exporters to Japan	<b>€1 bn a year</b>
Predicted increase of EU exports of processed food such as meat and dairy products to Japan	<b>between 170% and 180% or up to additional €10 bn</b>
Predicted increase of EU exports of chemicals to Japan	<b>between 4 and 22% or additional €700 mln to €3 bn</b>
Predicted increase of EU exports of electrical machinery to Japan	<b>between 1 and 16% or additional €20 mln to €650 mln</b>
Number of EU companies exporting to Japan	<b>Almost 74,000; 78% of those are smaller firms</b>